Fact Sheet

Best Practices for E-Commerce Processing

Summary

MasterCard is providing best practices for the management of e-commerce transactions. This article provides recommended processing when dealing with estimated amounts and multi-item orders where all items may or may not be delivered, or are not delivered at the same time. These best practices are intended to help guide e-commerce merchants in the management of these transactions.

Background

E-commerce authorizations are intended to reserve funds for subsequent settlement once online purchases are dispatched (for example, physical items shipped or electronic content delivered). The information below may also be applied to mail order/telephone order (MOTO) (non-T&E) transactions.

Guiding Principles

The following is provided as guidance for e-commerce processing. Note that unless otherwise specified, these are best practices and not mandatory.

- An approved e-Commerce authorization will have only one settlement transaction.

- MasterCard recommends that merchants submit reversals as soon as an adjustment to the original authorization amount is known. Additional detail on reversals may be found in the "Best Practices for Authorization Reversal Processing" article.

  NOTE
  U.S. region merchants are required to submit a full or partial reversal, as applicable within 72 hours of the original authorization request in a card-not-present environment.

- Issuers must release any hold of funds once settlement has been matched to the original authorization.

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- If an e-commerce item that ships late is re-authorized for chargeback protection, this transaction will take on the security characteristics of the original authorization within a dispute resolution. Contact your acquirer for more details.

Specific Scenarios

Depending on the inventory system and the nature of the item being purchased online, an e-commerce transaction may be submitted as either a preauthorization or a "final authorization" by merchants in the Europe region. Contact your acquirer for more details.

The following describes the recommended processing when dealing with estimated amounts and multi-item orders where all items may or may not be delivered, or are not delivered at the same time.

If...	Then...
1) The entire e-commerce order is cancelled (for any reason)	Submit a full reversal. Contact your acquirer for more information on how to reverse transactions when fraud is suspect.
2) The initial preauthorization is for an estimated amount based on anticipated sales tax, or estimated shipping weight	Submit a partial reversal if the settlement amount is less than the preauthorization, or Submit a full reversal, re-authorize if the settlement amount is greater (Merchant could also authorize and settle the difference separately, or just settle for the greater amount and risk possible issuer chargeback).
3) One item is cancelled (customer cancellation or out-of-stock)	Submit a partial reversal and settle when the remaining items ship.
4) The customer requests split shipment based on inventory availability, or e-commerce aggregator processes order through multiple suppliers	Refer to the following E-Commerce Split Shipments section.

E-Commerce Split Shipments

The following are options for managing e-commerce split shipments.

Available Option	Comments
1) Submit partial reversal for unshipped items. Settle shipped items. Separately re-authorize and settle as late items ship.	Merchant risks decline on re-authorization.
2) Do not settle on a multi-item order until all items ship.	Merchant risk involved if items ship separately.

3) Secure consumer permission to bill up front, ahead of the order shipment. Settle for entire order upon authorization.	Issuer inquiry or chargebacks could result if merchant billing terms and conditions are not understood.
4) Submit separate authorizations and settle as each item ships.	Each item is processed as a separate transaction.